

IRS TAX TIP 2003-39

EDUCATION CREDITS CAN HELP AT TAX TIME

Are you footing the costs of higher education for yourself or your family? The IRS says that education tax credits can help offset those costs. The Hope Credit and the Lifetime Learning Credit are education credits you can subtract in full from your federal income tax, not just deduct from your taxable income.

The Hope Credit applies only for the first two years of post-secondary education, such as college or vocational school, and it can be worth up to \$1,500 per eligible student, per year. It does not apply to graduate and professional-level programs. You're allowed 100% of the first \$1,000 of qualified tuition and related fees paid during the tax year, plus 50% of the next \$1,000. Each student must be enrolled at least half-time.

The Lifetime Learning Credit applies to undergraduate, graduate and professional degree courses, including instruction to acquire or improve job skills. If you qualify, your credit equals 20% of the first \$5,000 of post-secondary tuition and fees you pay during the year for all eligible students, for a maximum credit of \$1,000.

You cannot claim both the Hope and Lifetime Learning Credits for the same student in the same year.

To qualify for either credit, you must pay post-secondary tuition and fees for yourself, your spouse, or your dependent. The credit may be claimed by the parent or the student, but not by both. However, if the student was claimed as a dependent, the student cannot claim the credit.

These credits are phased out for Modified Adjusted Gross Income above \$41,000 (\$82,000 for married filing jointly) and eliminated completely for Modified AGI of \$51,000 or more (\$102,000 for married filing jointly). If the taxpayer is married, the credit may be claimed only on a joint return.

The Hope Credit is not allowed for a student convicted of a felony drug offense.

Use Form 8863 to claim either the Hope or Lifetime Learning Credit.

For more information, see IRS Publication 970, "Tax Benefits for Higher Education," which can be obtained online at www.irs.gov or by calling the IRS toll free at 1-800-TAX-FORM (1-800-829-3676).

XXX

EDITOR'S NOTE: Subscribe to IRS Tax Tips through the e-News Subscriptions link on the Newsroom page of the IRS Web site, www.irs.gov. Back issues of Tax Tips also can be accessed at IRS.gov. If you need additional information, contact your local IRS Media Relations office or call 202-622-4000.